CU240-1

THE WEEKLY OF BUSINESS AVIATION

DAVE COLLOGAN/EDITOR
KATHRYN BLEDSOE/ASSISTANT EDITOR
1156 15th STREET, N.W./WASHINGTON, D.C. 20005
PHONE: (202) 822-4600/TELEX: 89-2447

Vol. 40 No. 11 March 18, 1985 Page 81

INSIDE

DOT Regulatory Delays Cited.....Page 82

Commuter Consolidation Continues...Page 83

Cessna 'Challenges' Turboprops.....Page 84

Business Aviation Briefs.....Page 85

Marketplace.....Page 88

GULFSTREAM SUSPENDS PEREGRINE DEVELOPMENT; EARNINGS DECLINE CITED

Gulfstream Aerospace Corp., citing a decline in 1984 earnings, last week suspended research and development efforts on the Peregrine single-engine jet aircraft. In addition, the company indicated it may sell its facilities at Oklahoma City, Okla. where the Peregrine work was being done.

Suspension of work on the Peregrine was surprising, because the program was a favorite of Gulfstream Chairman Allen E. Paulson *(BA, Feb. 20, 1984/61).* In addition, the company's most recent prior mention of the Peregrine — when termination of the Commander turboprop line was announced in January *(BA, Jan. 21/17)* — indicated that the Peregrine project was progressing as planned. Gulfstream said at that time some of the workers laid off at the Oklahoma City plant were expected to be recalled to perform subassembly work of the Gulfstream III and IV and to work on the Peregrine. The company said then it had received some 4,000 inquires about the Peregrine, had deposits for 40 of the aircraft and had signed firm contracts for 21 aircraft.

Net Income Cut In Half

In announcing the decline in earnings last week, Gulfstream said the decrease "was primarily the result of substantial expenditures for research and development pertaining to the Gulfstream IV and the Peregrine aircraft." Gulfstream reported 1984 revenues of $601.6 million, up 11.5 percent from 1983, but income from continuing operations fell 17.6 percent to $48.4 million and net income per share fell from $1.62 in 1983 to 80 cents per share last year. James Bradbury, senior vice president-finance and administration, said 1984 net income was about $27 million compared to $53.1 million in 1983. Given that drop, a spokesman said, "something had to give." Bradbury said the company had anticipated spending about $40 million on research and development in 1985, which included some $17 million for the Peregrine. Officials decided they could not continue both programs simultaneously and decided to suspend work on the Peregrine, wchich Bradbury described as "a new aircraft in a down market." He said Gulfstream officials still believe the Peregrine has a lot of potential, "but the timing is terrible."

Outlook for Oklahoma Plant Unclear

Paulson said in last week's announcement that the Oklahoma organization will continue building and selling spare parts for the Commander line and efforts to dispose of the existing Commander inventory. In addition, he said the Oklahoma plant will continue to support the increased workload of subcontract work for the Gulfstream IV, which is being built in Savannah, Ga. He added, however, that "we have been contacted by several interested parties that are reviewing the facilities for possible acquisition. An acquisition holds the potential of restarting the Peregrine and the Commander propjet line. It also could allow the completion of the Model 1200 aircraft development and certification program, and could produce further revenues for Gulfstream Aerospace Corp. in the form of royalties in future years."

(Continued on the following page)

PUBLISHED BY THE BUSINESS PUBLICATIONS DIVISION OF MURDOCH MAGAZINES, A DIVISION OF NEWS GROUP PUBLICATIONS INC. COPYRIGHT @ 1985 NEWS GROUP PUBLICATIONS INC. ALL RIGHTS RESERVED. REPRODUCTION IS STRICTLY PROHIBITED. SUBSCRIPTIONS: ONE YEAR $210. SIX MONTHS $125.

TOP 50 REGIONAL-COMMUTER AIRLINES IN 1984

1984 Rank	Carrier	1984 Passengers	1983 Rank
1.	Mid Pacific Airlines	1,338,284	1
2.	PBA	1,331,491	3
3.	Britt Airways	1,204,885	2
4.	Air Wisconsin	1,095,000	4
5.	Empire Airlines	1,073,452	5
6.	Metro Airlines*	844,839	7
7.	Horizon Airlines	769,625	11
8.	Mississippi Valley Airlines	741,279	8
9.	Henson Airlines	733,536	6
10.	Air Midwest**	710,782	16
11.	Skywest/Sun Aire	652,698	42
12.	Atlantic Southeast Airline	613,900	18
13.	PRINAIR	576,795	9
14.	Ransome Airlines	566,754	10
15.	Rocky Mountain Airways	481,619	15
16.	Pennsylvania Airlines	464,462	13
17.	Aspen Airways	443,958	17
18.	Com air	417,601	22
19.	Rio Airways	408,798	12
20.	Royale Airlines	400,361	31
21.	Cascade Airways	389,279	19
22.	Simmons Airlines	376,134	33
23.	Wings West Airlines	360,075	29
24.	Suburban Airlines	346,226	23
25.	Wright Airlines	307,998	14
26.	Imperial Airlines	303,323	20
27.	Pilgrim Airlines	301,406	24
28.	Bar Harbor Airlines	297,875	27
29.	Name withheld by request	285,000	--
30.	Midstate Airlines	277,413	30
31.	Brockway Air***	276,322	43
32.	Chautauqua Airlines	269,091	38
33.	Command Airways	258,585	35
34.	Air Virginia	248,102	25
35.	Gull Air	223,294	60
36.	Frontier Commuter****	220,000	--
37.	Crown Airways	211,813	40
38.	Royal Hawaiian Air Service	202,451	34
39.	Fischer Brothers Aviation	192,635	41
40.	Pocono Airlines	191,938	48
41.	Crownair/Dorado Wings	175,000	56

(Continued on Back of Following Page)

FAA TO RELEASE CARRIERS FROM SCHEDULING CONTROLS – In a letter to the Air Transport Association, FAA Administrator Donald Engen has told the airlines that the scheduling controls they agreed to last September at several of the nation's busiest airports will no longer be imposed after April 1, even though the busy summer season begins on that date. He asked, however, that carriers which want to make a "significant adjustment or addition to their existing schedules" at the airports first contact the FAA. The controls were imposed last fall because the air traffic system was "experiencing an unprecedented amount of delays," Engen said. The controls were put into place at Atlanta, Denver, Newark, Chicago, LaGuardia and Kennedy. Engen said the high density rule will remain in effect at the latter three airports, "although we are currently reviewing that rule." He said measures put into place since then to increase system capacity had worked well enough to loosen controls if carriers do "not revert to the bunching of large numbers of operations within small timeframes."

REGIONAL CARRIER CONSOLIDATION CONTINUES – Some 203 regional and commuter passenger carriers and all 18 all-cargo commuter carriers are currently providing scheduled services, a slight increase over 1983, but a shakeout of the industry is continuing, according to the Regional Airline Association.

Roughly 50 fewer passenger carriers are operating today in the continental U.S. than in 1981, and the slight gain in number in 1984 over 1983 is "entirely attributable to a large increase in the number of Alaskan scheduled operators, following the suspension of service in that state by several large intra-state airlines last year," according to Alan Stephen, RAA vice president-operations. Stephen said that commuter/regional carriers showed a traffic increase of 29 percent in 1984 to 4.17 billion revenue passenger miles, while the number of enplaned passengers climbed 20 percent to 26.1 million *(BA, Feb. 25/61).*

All-cargo commuter operations continued to decline in number, as well as in cargo lifted and in both aircraft and hours flown, "reflecting the changing nature of the air cargo industry under deregulation," Stephen said. The decline is being offset by an increase in contracted air cargo services and by a general increase in cargo activity by passenger commuter carriers, he said. RAA does not keep statistics on contracted cargo operations.

Stephen said the number of aircraft in regional passenger service rose by 199 during 1984 to 1,747, representing a 17 percent increase in lift based on seat configuration and average utilization. Fleet flying hours in revenue service increased 14 percent to 2.76 million. Turboprops seating 15 to 30 continue to post the biggest gains and now account for about 54 percent of lift capacity. Fairchild Metro with 19 seats, Shorts 330/360 seating 30/36 and the Fokker F27 were the top three aircraft in use in 1984, he said, when ranked by total available seats delivered. In numbers of actual aircraft, the Cessna 402 still ranks first with 212, followed closely by the Metro with 191. Charts detailing the commuter/regional industry in 1984 are reprinted *on the backs of Pages 82-86.*

LEARJET REPORTS $10.6 MILLION LOSS FOR 1984 – Gates Learjet Corp., which suspended production of commercial aircraft last September, reported a loss of $10.6 million for calendar 1984, compared to a profit of $449,000 during 1983. The company, which recently announced it is resuming production of Series 35/36 aircraft *(BA, March 4/68),* reported total sales of $406.6 million in 1984, up 16 percent from the $350.5 million in 1983. For the fourth quarter, Learjet reported a loss of $9.3 million on sales of $122.4 million, compared to profits of just over $10 million on sales of $143.9 million during the comparable period of 1983.

The company attributed 1984's loss to the decline of commercial aircraft volume, depreciation and carrying costs for the C-21A aircraft being leased to the U.S. Air Force, increased development cost associated with the Learjet-Piaggio turboprop program and fourth quarter adjustments to inventories and other company assets. Learjet said it delivered 72 new aircraft in 1984, 32 to commercial customers and 40 under the Air Force contract, and 51 used business aircraft – more than double the number of used planes delivered in 1983. The company said that several actions taken last year were aimed at conserving its cash position. "While impacting negatively on 1984 results, the actions will have a positive effect on the company's future financial performance," Learjet said.

42.	American Central Airlines	174,386	51
43.	Chaparral Airlines	164,834	44
44.	South Jersey Airways	161,411	45
45.	SEAIR Alaska Airlines	146,000	57
46.	NEWAIR	142,696	47
47.	Precision Airlines	140,657	49
48.	Pacific Coast Airlines	140,063	55
49.	ERA Helicopters	140,000	--
50.	San Juan Airline	121,406	59
	Total enplanements top 50 airlines	21,916,000	84%
	Total industry enplanements	26,140,000	100%
	Total revenue passenger miles top 50 airlines (000's)	3,501,000	84%
	Total industry revenue passenger miles (000's)	4,174,000	100%

* Metro Airlines traffic inclusive of its Eastern Metro Express Subsidiary.
** Air Midwest traffic inclusive of its Air Midwest Skyways Subsidiary.
*** Brockway Air inclusive of Air North and Clinton Aero.
**** Frontier Commuter has suspended flight operations.

(See Related Chart on Back of Following Page)

1984 REGIONAL-COMMUTER AIRLINE RESULTS

	1983	1984	%Change
Carriers Operating:			
Passenger	196	203	+ 4%
Cargo	22	18	-18%
Traffic Statistics:			
Passengers (millions)	21.8	26.1	+20%
RPMs (billions)	3.24	4.17	+29%
Av. Pax Trip (miles)	149	160	+ 7%
Cargo Pounds (millions)	396	324	-18%
Aircraft in Service:			
Passenger	1,545	1,747	+13%
All Cargo	260	168	-36%
Hours Flown in Revenue Service (000s):			
Passenger	2,415	2,764	+14%
All Cargo	230	155	-33%
Total Airports Served in North America:			
by Regional/Commuters	854	852	-0-
by Majors/Nationals	304	283	- 7%
Airports Exclusively Served			
by Regional/Commuters	609	614	+.8%
by Majors/Nationals	27	27	-0-

(See Related Chart on Back of Following Page)

BUSINESS AVIATION BRIEFS

CONTINUING SHAKEOUT of the commuter/regional airline industry is apparent in a review of the top 50 carriers in 1984 *(see list on the backs of Pages 82 and 83)*. At least six of the top 50 were either grounded by FAA, filed bankruptcy petitions, agreed to be acquired by another carrier or suspended operations in the past six months.

• • •

NEW INTERNAL REVENUE SERVICE REGULATIONS restricting personal transportation on company aircraft, along with the possibility that the Investment Tax Credit (ITC) will be eliminated and aircraft depreciation rules modified *(BA, March 11/73)*, appears to be adversely affecting all GA aircraft manufacturers. Officials at a number of manufacturers have told *BA* that customers who were ready to sign up for new aircraft have put the orders on hold indefinitely until the tax issues are resolved.

• • •

FOKKER AIRCRAFT said Ansett Transport Industries of Australia has converted five options for the new Fokker 50 turboprop into firm orders, boosting Ansett's total order to 15 aircraft *(BA, Feb. 18/51)*.

• • •

UNITED AUTO WORKERS MEMBERS, who had been on strike at de Havilland Aircraft of Canada, returned to work March 11 folllowing ratification of a new contract with the company *(BA, March 11/78)*.

• • •

REGIONAL AIRLINE ASSOCIATION members are expected to charge that practices by computer reservations systems (CRS) vendors are predatory and anti-competitive during testimony before the Senate aviation subcommittee this week. The subcommittee is examining the CRS issue in an attempt to determine "whether bias exists in the listings of (CRS) systems" and to "assess the fees charged to participating airlines and the effect on competition." Hearing begins this Tuesday and also will include testimony from officials of the carriers providing the CRS services.

• • •

TRANSPORTATION DEPARTMENT late Friday, responding to complaints that DOT is delaying FAA rulemaking activities *(see related story on Page 82)*, released copies of letters to members of Congress who had raised the issue. Transportation Secretary Elizabeth Dole told Rep. Norman Mineta (D-Calif.) that she wanted to "assure you that both FAA and OST (Office of the Secretary of Transportation) staff will continue to make every possible effort to preclude FAA regulatory actions from being unnecessarily delayed. I believe the Department's record to date has been good and will continue to improve," adding that DOT will "stay in close touch with OMB to encourage prompt review of significant rulemakings."

• • •

FEDERAL AVIATION ADMINISTRATION has issued the fifth in a series of proposed rule changes regarding helicopter operations resulting from the agency's ongoing Rotorcraft Regulatory Review. The latest proposals, which covered 28 pages in the March 13 *Federal Register*, include suggested changes to Parts 1, 43, 45, 61, 91, 133 and 135 of the *Federal Aviation Regulations*. Comments are due July 10.

• • •

GARRETT General Aviation Services Company has scheduled a series of five two-day TFE731 engine seminars in April at various locations around the country. Seminars will be held in New York, Illinois, Georgia, Texas and California and will include technical and program updates, a fuel system review and an update on current component and performance restoration techniques. For additional information operators should contact: David Long, manager of marketing and sales, at (213) 646-7678.

• • •

HARRY HALTON, who was executive vice president of Canadair from 1980 until his retirement in June 1983, has been elected to Canada's Aviation Hall of Fame in Edmonton, Alberta.

SUMMARY OF AIRCRAFT IN REGIONAL-COMMUTER AIRLINE USE IN 1984

85a

MANUFACTURER	Piston Engine Single-	Piston Engine Multi-	Turbo-prop	Jet	Heli-copter	Aircraft total
Aerospatiale	*	*	15	*	5	20
Beech	2	14	147	*	*	163
Bell	*	*	*	*	18	18
British Aerospace	*	*	30	13	*	43
Britten-Norman	*	48	*	*	*	48
Cessna	116	229	4	*	*	359
CASA	*	*	20	*	*	20
Convair	*	1	54	*	*	55
deHavilland	33	5	152	*	*	190
Douglas	*	22	*	*	*	22
Embraer	*	*	111	*	*	111
Fairchild (Swearingen)	*	*	193	*	*	193
Fokker	*	*	55	13	*	68
Grumman	*	20	18	*	*	38
Martin	*	12	*	*	*	12
Nihon	*	*	27	*	*	27
Piper	56	175	8	*	*	239
Shorts	*	*	88	*	*	88
Misc*	2	2	16	1	12	33
TOTAL 1984	219	528	938	27	35	1,747
TOTAL 1983	154	545	798	18	33	1,548
CHANGE	+65	-17	+140	+9	+2	+199
AIRCRAFT IN EXCLUSIVE CARGO USE						
TOTAL ALL MAKE/MODELS	22	85	59	2	*	168
TOTAL ACFT ALL USES	241	613	997	29	35	1,915
PERCENT CHANGE 84/83	+7%	-21%	+24%	-32%	-15%	+3%

*Misc. - Aero Commander (6); Dornier (4); Hughes (2); Helio (2); IAI (4); Lear (1); Mitsubishi (4); Sikorsky (6); Westland (4).

(See Related Chart on Back of Following Page)

TOP REGIONAL-COMMUTER PASSENGER AIRCRAFT IN 1984

Manufacturer/ Model	% of total fleet seating capacity	Total Acft in Airline Service	Fleet Flying Hours (000s)
Fairchild (Swearingen) Metro (all models)	13.6%	191	420.1
Shorts SD3-30/3-60	11.0	88	199.3
Fokker/Fairchild F-27 series	8.3	55	106.2
deHavilland Dash 7	7.6	38	89.0
deHavilland Twin Otter	7.5	114	233.5
Embraer Bandeirante	7.3	111	240.9
Convair 580/600/640	6.0	54	79.7
Beech Model 99	5.9	119	232.1
Nihon YS-11	5.3	27	53.7
Fokker F-28	4.1	12	29.2
Cessna 402	3.4	212	252
Total Top Aircraft	80.0%	1,021 (58%)	1,933.9 (70%)
All Others in Service	20.0%	726 (42%)	1,830.2 (30%)
TOTAL INDUSTRY	100.0%	1,747 (100%)	2,764.1 (100%)

(See Related Chart on Back of Following Page)